

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT COMMITTEE ON FEDERAL RELATIONS, ENERGY, AND TELECOMMUNICATIONS**

**Call to Order:** By **SENATOR MACK COLE**, on January 4, 2001 at 2:13 P.M., in Room 303 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Mack Cole, Chairman (R)  
Rep. Aubyn A. Curtiss, Chairman (R)  
Sen. Royal Johnson, Vice Chairman (R)  
Rep. Tom Dell, Vice Chairman (D)  
Rep. Douglas Mood, Vice Chairman (R)  
Sen. Steve Doherty (D)  
Rep. Dee Brown (R)  
Sen. Alvin Ellis, Jr. (R)  
Rep. Roy Brown (R)  
Sen. Mike Halligan (D)  
Rep. Gary Forrester (D)  
Sen. Bea McCarthy (D)  
Rep. Carol C. Juneau (D)  
Sen. Walt McNutt (R)  
Rep. Gary Matthews (D)  
Sen. Don Ryan (D)  
Rep. Joe McKenney (R)  
Sen. Corey Stapleton (R)  
Rep. Alan Olson (R)  
Sen. Mike Taylor (R)  
Rep. Trudi Schmidt (D)  
Sen. Tom Zook (R)  
Rep. Bob Story (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Staci Leitgeb, Committee Secretary  
Stephen Maly, Legislative Branch

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Meeting Summary:**

This is an educational forum on electric industry restructuring and telecommunications issues. The witnesses presented a variety of informational testimony.

**Discussion:**

**SEN. MACK COLE** stated this was a very important issue and something that we would be working on during the entire session. These two committees were charged with the major task of sorting through some very complex issues on electric industry restructuring and telecommunication. Given the complexity of the issues involved, it was extremely important to provide an educational forum in which the experts can provide the committee members with at least a basic understanding of the laws and the issues that will be coming before us.

**Todd Everts, Legislative Staff**, submitted written testimony dealing with SB 390, which was the Electric Industry Restructuring Law. **EXHIBIT(feh02a01)** **EXHIBIT(feh02a02)**

**Steven Maly, Legislative Research Analysis**, provided the perspective of the staff assigned to the Transition Advisory Committee. He submitted and explained the report titled, "The Shock of the New: Changes in Generation, Transmission, and Distribution of Electricity in Montana." **EXHIBIT(feh02a03)**  
**EXHIBIT(feh02a04)**

**John Hines, Northwest Power Planning Council**, submitted written testimony. **EXHIBIT(feh02a05)** He covered five issues: 1, a broad description of the western electric system; 2, the Pacific Northwest electric prices; 3, the factors that they believe are underlying the price increases; 4, the Montana situation; 5, ideas to help us out.

**REP. BOB STORY** asked if it was true California had several generation plants turned off because of the air quality. **Mr. Hines** replied California had an air quality permitting problem. He explained there was a real high air conditioning load down there requiring those facilities to be running in the summer. In the summer we were able to assist due to our load being more than adequate. In the winter we would face some of the same constraints. They were able to obtain variances for a while, but he did not know how long they would be able to maintain those variances. The variances were federal law, but the states implement them.

**SEN. COREY STAPLETON** asked about the economics involved. **Mr. Hines** replied the economics of the facilities were being turned over currently. The resource choices over the past five to ten years had been combined gas turbines.

**SEN. ALVIN ELLIS** asked about the carrying capacity running out to the Bonneville system and how near to capacity were they utilizing. **Mr. Hines** replied it was around 2200 or 2300 megawatts. The actual capacity depended upon many factors.

**SEN. STEVE DOHERTY** asked for clarification regarding overbuilt generation and how to prevent people from overbuilding. **Mr. Hines** thought it would be great if the state weren't involved in any of the incentive and they got overbuilt. That would be the best possible thing as far as a rate payer could see. Providing too much of an incentive, obligating too many state dollars toward it, would create a problem where you have too much resource and without the transmission capability to sell it, there would be no way to recoup any of your financing.

**SEN. DON RYAN** asked what the other three states involved were doing. **Mr. Hines** said it was a situation confronting everybody all at once and no one had a magic solution. He added everyone recognizes we need new generation in some manner, and everyone had the reluctance of "not in my backyard." There were no concrete proposals in any of the states at this point.

**Will Rosquist, PSC Staff Economist**, submitted written testimony dealing with the role of the PSC. **EXHIBIT (feh02a06)**

**SEN. ROYAL JOHNSON** asked for clarification of the rules. **Mr. Rosquist** replied the rules were intended to apply to electric suppliers operating in the deregulated environment, in the sense the PSC was prohibited from setting the price of electricity for these suppliers.

**Don Quander, Montana Large Customers Group**, explained his organization had been actively involved in the restructuring since it was first brought up in 1997. He stated there were long-term considerations and short-term considerations. He explained the considerations

**REP. CURTISS** asked if there was a threshold dealing with the generation requiring licensing or permitting by FERC. **Mr. Quander** replied there were several thresholds. The Major Facility Siting Act had a very high threshold.

**Bob Nelson, Montana Consumer Council**, explained their mission. He stated the risks involved and added the top of the list for opportunities was naming a default supplier and securing the supply. There was a need to work on regional market issues such as generation and transmission. He felt research was needed towards cost-effectiveness of options.

**Paul Farr, Financial officer for PPL**, submitted written testimony. **EXHIBIT(feh02a07)** He covered the transaction with MPC, last summer's volatility, various prices from the last year, and positions and views they had on the market place.

**SEN. JOHNSON** asked what it accomplished to have the transition period extended. **Mr. Farr** replied how the viewing of the rule written was and the principles of the rules. He stated this issue with extending the default supply, was the best way to get the lowest stable price for consumers and to sign long-term contracts.

**SEN. JOHNSON** asked if it was possible for the PSC to write those rules. **Mr. Farm** said it was within the jurisdiction of the PSC to write those rules over the last two years.

**Gail Kuntz, Bonneville Power Administration**, shared information. she said they were in a precarious, but basic load resource balance. The volatility of this was based on the weather, precipitation, imports from Canada, and the degree to which they were able to manage loads and buy-back power. She explained the volatility of the water and weather

**REP. DELL** asked about FERC becoming more active and any pending changes. **Ms. Kuntz** wasn't aware of anything that hadn't been discussed in the media.

**REP. DELL** asked if they would become more active after the California problems. **Ms. Kuntz** said it would be interesting to watch what happens at the national congressional level. There has been active debate about FERC's role.

**Jim Williams, Continental Energy**, said they were in the process of obtaining a permit for a 500 megawatt generating facility. They would advocate what PPL advocated. He explained the marketplace and offered the issues involved.

**SEN. JOHNSON** clarified it would take 18 months to build the plant. **Mr. Williams** agreed and added it would take 18 months to generate test electricity.

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**SEN. JOHNSON** asked how long they anticipate a current permitting situation to go. **Mr. Williams** said from the time they submit the permit and it was deemed complete, they would have one year to issue or deny the permit.

**SEN. JOHNSON** mentioned three years might be target date. **Mr. Williams** answered yes, that was correct.

**Dave Wheelihan, Montana Electric Cooperatives Association**, said they procured wholesale power on behalf of their consumers who were the owners of the cooperatives. Currently the power came from the Bonneville Power Administration, Western Area Power Administration, and Basin Electric Cooperative in North Dakota. He explained the contracts and the effects.

**Pat Corcoran, MPC**, submitted written testimony.  
**EXHIBIT (feh02a08)**

**Gary Feland, PSC**, said this was a complicated issue. He stated the default supplier had already been named and the rules will be submitted by January 19, 2001. He felt a long term contract would be helpful to the situation.

**Bob Anderson, PSC**, submitted written testimony.  
**EXHIBIT (feh02a09)**

**Debbie Smith, Northwest Energy Coalition**, said the groups she worked with acknowledged there was a serious supply problem right now. She explained during the month of January how the Pacific Northwest was barely in load resource. They were only forecasting a month ahead and were in the same position California was. She offered options, opportunities and risks for the legislature to consider.

**Gene Lewer** addressed the low income portion of the USB. He stated there were about 323,000 households in the state. Of those, 79,000 were below poverty level; 13,000 of those were occupied by senior citizens. The USB programs were very important to many people.

**Kathy Hadley, Montana Electricity Buying Cooperative**, said this was a nonprofit cooperative formed to serve as a default supplier for Montana's residential and small business customers. The notion of trying to aggregate into a larger load was the issue. The buying cooperative was allowed under a bill passed in 1996. Co-ops were also allowed to get preference power. This would be driven and directed by the members **EXHIBIT (feh02a16)**.

**SEN. MACK COLE** asked how big the co-op was currently. **Ms. Hadley** said they had seven members on the board of directors.

**SEN. COLE** asked if there was an application to be a default supplier. **Ms. Hadley** replied they had not applied, because they thought it would be more efficient to make an application to be licensed and also apply for designation after they understood what the rules would be for designation.

(No audio recording available after this point in the meeting.)

**Mike Strand, Montana Independent Telecommunications Systems,** submitted written testimony and supplemental information.  
**EXHIBIT(feh02a10) EXHIBIT(feh02a11)**

**Geoff Feiss, Montana Telecommunications Association,** submitted written testimony and supplemental information.  
**EXHIBIT(feh02a12) EXHIBIT(feh02a13) EXHIBIT(feh02a14)**  
**EXHIBIT(feh02a15)**

**Qwest, Montana Broadband Network,** submitted supplemental information. **EXHIBIT(feh02a17)**

**Touch America** submitted written testimony. **EXHIBIT(feh02a18)**

**Katherine Dayton, Cutthroat Communications,** submitted written testimony. **EXHIBIT(feh02a19)**

**Bob Rowe, PSC,** submitted written testimony. **EXHIBIT(feh02a20)**

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**ADJOURNMENT**

Adjournment: 8:00 P.M.

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REP. AUBYN A. CURTISS, Chairman

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CECILE M. TROPILA, Transcriptionist

AC/RL

**EXHIBIT** (feh02aad)